MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019 / 2020 SESSION

DEC5014 –MICROECONOMICS

(All Groups)

14 MARCH 2020
2:30 p.m. – 4:30 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 12 pages with 2 sections.

2. Attempt **ALL** questions in Section A and Section B. The distribution of the marks for each question is given.

3. Please write all your answers for Section A on the OMR form provided and all answers for Section B in the Answer Booklet provided.

SECTION A: Multiple Choice Questions (40 Marks)

1. _____ studies the functioning of individual industries and the behavior of individual decision-making units whereas _____ studies the economy as a whole.
   A. Macroeconomics; microeconomics
   B. Macroeconomics; standard of living
   C. Microeconomics; macroeconomics
   D. Microeconomics; standard of living

2. We make _____ because we face _____.
   A. choices; limited wants
   B. choices; scarcity
   C. scarcity; unlimited wants
   D. scarcity; limited wants

3. Tomorrow is a public holiday, if you choose to go swimming instead of window shopping, the window shopping activity that you did not choose is called the _____.
   A. accounting cost
   B. opportunity cost
   C. implicit cost
   D. explicit cost

4. Which of the following is **NOT** one of the factors of production?
   A. Government
   B. Land
   C. Capital
   D. Labour

5. _____ is a diagram that shows how resources, money, goods and services flow between households and firms through resources and product markets.
   A. Money supply
   B. Fiscal policy
   C. Business cycle
   D. Circular flow of diagram

6. Which of the following is a positive statement?
   A. Lower income groups should pay lower taxes compared to high income groups.
   B. The government should not imposed restriction on smoking outdoor.
   C. When consumers' income increases, food consumption at fast food restaurants also increases.
   D. Car manufacturers should produce more hybrid cars to reduce air pollution.

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Questions 7 to 10 refer to Figure 1:

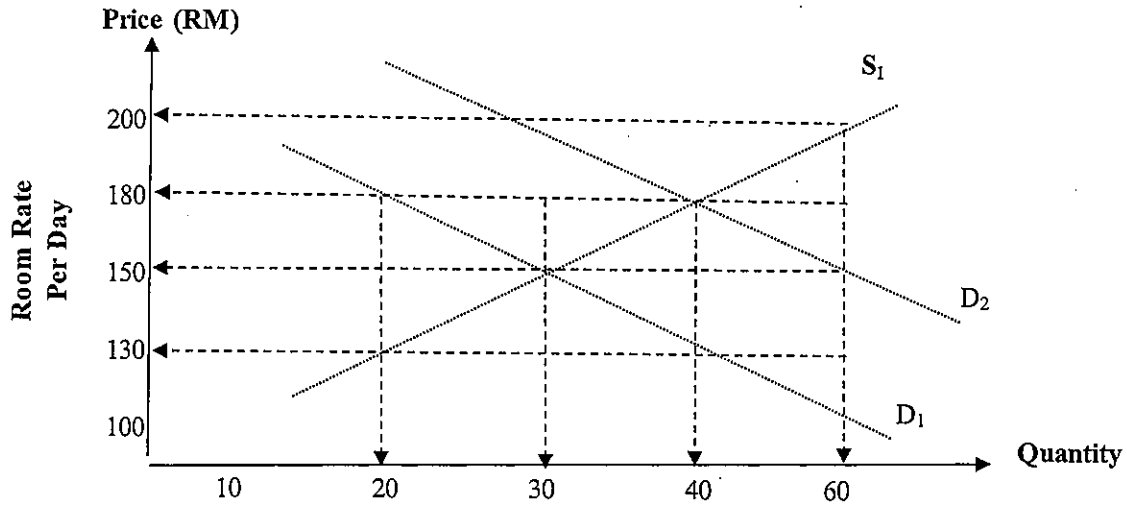

Figure 1: Market of Homestay in Melaka

7. What is the equilibrium room rate and quantity of homestay in Melaka?
   A. RM130 per day; 20 rooms
   B. RM150 per day; 30 rooms
   C. RM180 per day; 30 rooms
   D. RM130 per day; 60 rooms

8. What happened to the market at the room rate of RM130?
   A. There is a shortage in the market.
   B. There is a surplus in the market.
   C. The market achieve equilibrium.
   D. There is a promotional room rate.

9. Which of the following could possibly affect the demand curve shift from D_1 to D_2?
   A. There is a new housing development area being build up in Melaka.
   B. The state government imposed higher accommodation tax.
   C. The room rate of homestay has increased by 20%.
   D. Tourists prefer to stay in homestay as compared to hotel.

10. Which of the following situation can caused the market room rate to be reduced?
   A. An increase in the number of homestay in Melaka.
   B. A decrease of number of homestay in Melaka.
   C. An increase of tourists to Malaysia.
   D. Tourism department organising more activities in Melaka.

Continued...

11. Which of the following pairs is a substitute?
    A. Smart phone and charger
    B. Tea and sugar
    C. Debit card and paper
    D. Brown sugar and rock sugar

12. The _____ measures the responsiveness of the quantity supplied to a change in the price of a good, when all other influences on selling plans remain the same.
    A. price elasticity of demand
    B. price elasticity of supply
    C. cross elasticity of supply
    D. income elasticity

13. Which of the following is **NOT** one of the factors that could affect the price elasticity of demand?
    A. Proportion of income spend on the good
    B. Closeness of substitute for a good
    C. Time elapsed since price change
    D. Resources substitute possibilities

14. If the elasticity of demand for a calculator is 1.5, this means _____.
    A. a 1% increase in price will lead to a 15% increase in quantity demanded of calculator
    B. a 5% decrease in price will lead to a 7.5% increase in quantity demanded of calculator
    C. a 10% increase in price will lead to a 150% decrease in quantity demanded of calculator
    D. that there a few substitutes exist

15. Which of the following goods or services has the highest price elasticity of demand, based on the proportion of income spent on them?
    A. A cup of bubble milk tea
    B. A haircut
    C. Toothbrush
    D. A new iPhone 11 Pro Max

16. When the price elasticity of demand equals to _____; it represents that the good has _____ demand.
    A. 0; unit elastic
    B. 1; unit elastic
    C. less than 0; unit elastic
    D. more than 1; inelastic

17. The cross elasticity of demand for a _____ good has _____.
    A. substitute; a positive value
    B. substitute; a negative value
    C. complement; a positive value
    D. complement; has a zero value

Continued...

18. A perfectly inelastic supply curve is _____ and the elasticity of supply is _____.
    A. vertical; 0
    B. vertical; 1
    C. horizontal; 0
    D. horizontal; 1

Questions 19 to 22 refer to Table 1:

Quantity	Total utility	Marginal utility
1	10	
2		9
3	27	8
4	34	
5	d	6

Table 1

19. What is the marginal utility when Laura consume first pizza?
    A. 0
    B. 10
    C. 9
    D. 8

20. The total utility of second pizza will be _____.
    A. 34
    B. 27
    C. 19
    D. 10

21. The marginal utility of consuming fourth pizza will be _____.
    A. 9
    B. 8
    C. 7
    D. 6

22. The diminishing utility of eating pizza starts from _____ pizza.
    A. first
    B. second
    C. third
    D. fourth

23. The _____ is a time frame in which the quantity of one or more resources used in production is fixed.
    A. short run
    B. long run
    C. diseconomies of scale
    D. economies of scale

Continued...

24. The _____ states that as a firm uses more of a variable input with a given quantity of fixed inputs, the marginal product of the variable input eventually decreases.
    A. law of demand
    B. law of supply
    C. law of diminishing returns
    D. law of marginal utility

Questions 25 to 26 refer to Table 2:

No. of Workers	Total Product	Marginal Product
1	3	3
2		5
3	12	
4	15	
5	16	1

Table 2

25. When the firm employs two workers, the average product is _____.
    A. 4
    B. 5
    C. 8
    D. 11

26. The marginal product of the 4th worker is _____ of output.
    A. 3 units
    B. 3.5 units
    C. 5 units
    D. 4.5 units

27. A(n) _____ is a firm that has the ability to control the price of the product it sells.
    A. economic agent
    B. economic union
    C. capitalism
    D. price setter

28. Which of the following is **NOT** one of the barriers to entry in a monopoly market?
    A. Patent
    B. Public franchises
    C. Diseconomies of scale
    D. Ownership of a scare resources

Continued...

29. At the profit maximising level of output for a monopoly firm, the price will be _____.
    A. greater than marginal cost
    B. less than marginal cost
    C. equal to marginal cost
    D. less than marginal revenue

30. Diamond Hotel charge higher room rates during weekends and public holidays as compared to weekdays. This is an example of _____.
    A. economic promotional
    B. price discrimination
    C. price taker
    D. economic discount

31. Which of the following most likely can be a monopoly firm?
    A. A childcare center
    B. A water supply company
    C. A tuition center
    D. A fast food restaurant

Continued...

Question 32 to 35 referred to Figure 2

TGIF Café operating in monopolistic competition market. Figure 2 represents the demand, marginal revenue, marginal cost and average total cost curves of the restaurant.

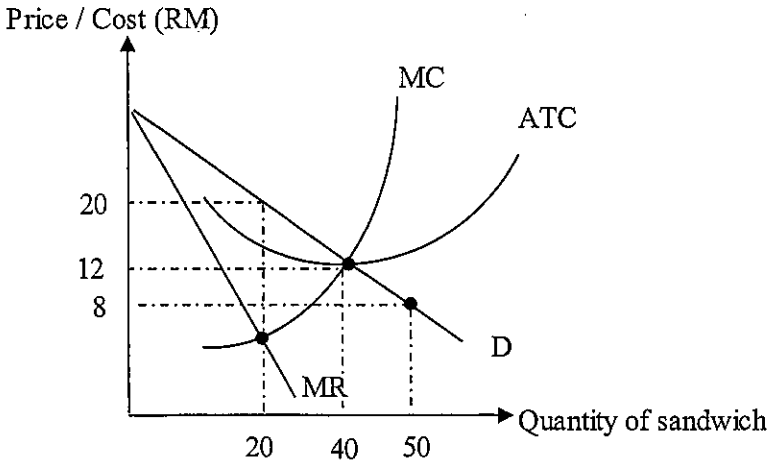

Figure 2

32. The profit maximising output is at _____.
    A. 50 sandwiches
    B. 40 sandwiches
    C. 30 sandwiches
    D. 20 sandwiches

33. What price should TGIF charge in order to maximise its profit?
    A. RM8
    B. RM12
    C. RM15
    D. RM20

34. TGIF Café is experiencing _____.
    A. an economic profit
    B. an economic loss
    C. a shut down
    D. an economic surplus

35. How much is the minimum average total cost for TGIF Café ?
    A. RM20
    B. RM15
    C. RM12
    D. RM8

Continued...

36. A firm in monopolistic competition practices _____ if the firm makes a product that is slightly different from the products of competing firms.
    A. collusion
    B. product differentiation
    C. game theory
    D. price fixing

37. Oligopoly is a market where there are _____.
    A. no sellers
    B. no buyers
    C. many sellers
    D. only few sellers

38. Which of the following statement explained the best about oligopoly market?
    A. In oligopoly market, firms will compete with each other by using advertising and product differentiation.
    B. In oligopoly market, firms are free to enter and exit the market.
    C. A 24-hour convenient store is an example of oligopoly firm.
    D. Firms are price taker in oligopoly market.

39. _____ is an example of oligopoly firm in Malaysia.
    A. Tenaga National Berhad
    B. Multimedia University
    C. Maxis
    D. Subway

40. _____ is a market structure with two firms only.
    A. Monopoly
    B. Oligopoly
    C. Duopoly
    D. Monopolistic competition

Continued...

SECTION B: Structured Questions (60 Marks)

QUESTION 1

(a) Please state if the following statement is a "microeconomics" or "macroeconomics" scope.

i. Samsung had increased the production of a new model smart TV since December 2019. (1 mark)

ii. Hong Kong's unemployment rate has been increasing since past 10 months. (1 mark)

iii. The living expenses in Melaka had been increased as compared to year 2015. (1 mark)

iv. Thai Bath is one of the currency that is experiencing tremendously appreciation in the past few weeks. (1 mark)

(b) Give **TWO (2)** examples of scarcity that you had faced last month. (2 marks)

(c) Country Indigo is producing hybrid cars and educational toys.

i. Draw a production possibilities frontier of country Indigo.
Plot hybrid cars at horizontal axis and educational toys at the vertical axis. (3 marks)

ii. The economist of the country foresees that there will be an increase of population in the country by next year, how would this affect the PPF of the country? Illustrate your answer graphically. (3 marks)

iii. Car manufacturers are planning to introduce new technology in producing hybrid cars, how would this affect the PPF of the country? Illustrate your answer graphically. (3 marks)

(Total: 15 marks)

Continued...

QUESTION 2

Apples	Rice
12	0
6	4
0	8

Table 3

Table 3 shows the consumption of apples and rice of Amar's family in a week. The price of apple is RM10 per kilogram and the price of rice is RM15 per kilogram. Based on the information,

(a) How much is Amar's family weekly income? (1 mark)

(b) Draw the budget line, label it as BL.
NOTE: Plot Rice at horizontal axis. (5 marks)

(c) There is a price reduction of apple to RM5 per kilogram, draw a new budget line, label it as BL_1.
NOTE: Plot Rice at horizontal axis. (4 marks)

(d) Amar's family weekly income has increased to RM240. With the original pricing of apple (RM10 per kilogram) and rice (RM15 per kilogram), draw the new budget line, label it as BL_2.
NOTE: Plot Rice at horizontal axis. (5 marks)

(Total: 15 marks)

Continued...

QUESTION 3

No. of Labour (Per day)	Total Output (Per day)	RM			
		Total Cost (TC)	Average Total Cost (ATC)	Average Fixed Cost (AFC)	Average Variable Cost (AVC)
0	0	120	-	-	-
1	100				
2	220				
3	300				
4	360				
5	400				
6	420				
7	430				

Table 4

Andrew owns Bobo Milk Tea by renting a stall at RM120 a day in Mega Shopping Mall Melaka. Andrew pay RM100 per day for each worker. Table 4 shows the daily output of Bobo Milk Tea.

(a) Copy Table 4 in your answer booklet, fill up the value for total cost, average total cost, average fixed cost and average variable cost at each level of output. NOTE: All answer should be in two decimal points.

(14 marks)

(b) At what output level is the average total cost at the minimum point? (1 mark)

(Total: 15 marks)

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QUESTION 4

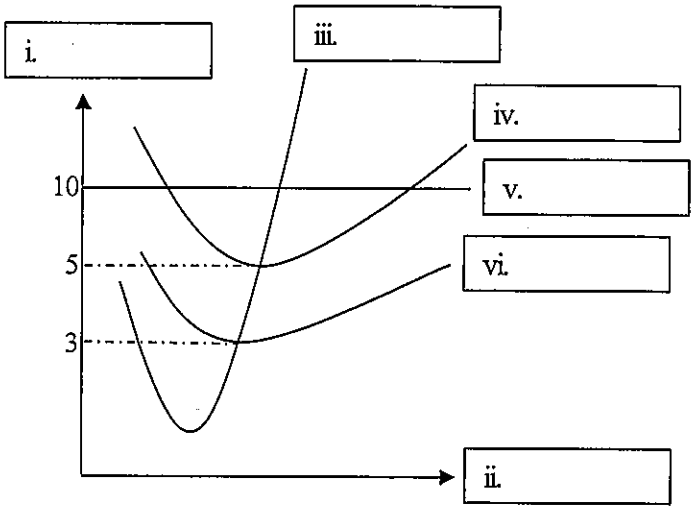

Figure 3

Figure 3 shows the cost curves of Zara Stationary Manufacturing Sdn. Bhd. in a perfect competitive market.

(a) Label the axes and curves accordingly. (6 marks)

(b) Is the firm facing an economic profit / economic lost / breakeven? (2 marks)

(c) What is the minimum selling price to achieve breakeven situation? (2 marks)

(d) List **FIVE (5)** characteristics of a perfect competitive firms. (5 marks)

(Total: 15 marks)

End of Paper